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SUBJECT: UKRAINE: CODEL BLUNT'S 5/29 MEETING WITH PRESIDENT
YUSHCHENKO

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Summary

1. (SBU) During a May 29 meeting with CODEL Blunt, President Yushchenko characterized Ukraine's economic growth as "strong" and predicted that a new Orange coalition government would be formed "in a couple of days." Negotiations over top leadership positions had begun May 29 and should be complete within "a few days." Eponymous bloc leader Yuliya Tymoshenko would serve either as Prime Minister or Rada Speaker, and Yuriy Yekhanurov would fill the remaining position; this leadership arrangement would cause some MP defections from the Orange camp, but Yushchenko asserted that the new government would be able to muster enough votes in parliament to pass legislation. The new government, though Orange, would have "constructive relations" with the rival Party of Regions, the top vote-getter in the March parliamentary elections. Yushchenko was downbeat on relations with Russia, stressing that Ukraine and Europe more generally needed to end their energy dependence on Russia. One way to do that was to pump Caspian oil westward via the Odesa-Brody pipeline; another was to use Ukraine's pipeline network to move Kazakh and Turkmen gas to European markets. Russian opposition to such competition would be fierce, Yushchenko explained, adding that USG support for energy diversification was critical. Yushchenko asked for continued USG assistance in improving Ukraine's courts and police, both key tools in combating corruption. He also stressed that his government had made important progress in curbing the anti-Semitic activities of the foreign-funded Inter-Regional Academy of Personnel Management. Yushchenko reviewed his efforts to make it easier for foreign companies to do business in Ukraine, emphasizing that his government had cut red tape and abolished visa requirements for U.S. and EU citizens. He assured the CODEL that Ukraine would place no new restrictions on adoptions by Americans and reiterated that Ukraine was committed to creating a transparent adoption system, though Kiev needed better post-placement reporting compliance by American families. End summary.

Yushchenko On: The Economy...

2. (SBU) President Yushchenko met May 29 with a Congressional delegation led by House Majority Whip Representative Roy Blunt (R-MO) that included House Minority Whip Representative Steny Hoyer (D-MD), the Chairman of the House Democratic Caucus Representative James Clyburn (D-SC), Representative Rodney Frelinghuysen (R-NJ), and Representative Sam Graves (R-MO). Yushchenko began the discussion by focusing on Ukraine's economy, noting that foreign direct investment and wages were rising and that economic growth was strong, up

2.6% in April. Government revenues during the first quarter of 2006 were up 23% over the same period last year, Yushchenko said, adding that 2005 government revenues rose 51% over 2004, the last year of the Kuchma presidency.

...Coalition Politics...

13. (SBU) Turning to politics, Yushchenko asserted that the greatest risk of creating a new Orange coalition was that it might "collapse." To prevent that from happening, he explained, leaders from Our Ukraine (OU), the Socialist Party (SPU), and the Tymoshenko Bloc (BYuT) had been working on a detailed program that all three sides could accept and agree to implement; the negotiating had been particularly tough with the SPU, which opposed, for example, Ukraine's WTO entry and the privatization of state industries. Yushchenko claimed that three sides had finally "worked out" a common program, but still needed "a couple of days" to reach agreement on "the personalities" for key positions in the new government. Yushchenko related that, in the new Orange coalition, Yuliya Tymoshenko and Yuriy Yekhanurov would be either Prime Minister or Rada Speaker; there were "pluses and minuses" to Tymoshenko serving again as prime minister, Yushchenko said, adding that there were more than a "dozen" OU and BYuT MPs who would not support a Tymoshenko PM candidacy. But even with those potential defections, he asserted, the new Team Orange could muster a majority of 243 in parliament -- 17 more than needed to pass legislation. (Note: Maintaining the Orange forces' 243-seat majority in the face of defections would require the defection of Regions or Communist MPs to the Orange side.)

...Working With Party of Regions...

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14. (SBU) Yushchenko stressed that, though Orange, the new governing coalition would have "constructive relations" with the rival Party of Regions. That party's interests, Yushchenko emphasized, would not be ignored. Yushchenko explained that he had recently held a series of discussions with Party of Regions chief Viktor Yanukovych, reviewing a wide range of issues -- including Ukraine's possible membership in NATO. Yushchenko characterized the discussions as "constructive," noting that Regions "wants to work with us" and that some Regions' MPs might wind up "moving into our camp."

...Relations with Russia...

15. (SBU) Yushchenko said that, generally speaking, it was still difficult for the Kremlin to acknowledge that Ukraine was a sovereign, independent country. It was hard for Moscow to accept that it would have no say in who would become Ukraine's next prime minister, foreign minister, or, more importantly, first deputy prime minister for energy issues; all of these decisions would be made by Kiev alone. Characterizing energy ties with Russia as "highly politicized," Yushchenko stressed that Ukraine, and Western Europe, had to diversify energy supplies and reduce dependence on Russia. One way to do that was to pump Caspian oil westward via the Odesa-Brody pipeline; another was to use Ukraine's pipeline network to move Kazakh and Turkmen natural gas to European markets. (Comment: The latter would only be possible if Russia offered open transit access to its pipelines, since Ukraine has no alternative connection for gas from Kazakhstan and Turkmenistan.) Russian opposition to such competition would be formidable, Yushchenko said, and Moscow would exploit the EU's lack of a common energy policy. USG support would therefore be critical, Yushchenko said, adding that "without such support, the projects are not feasible." Yushchenko also noted to the Congressmen that an American firm (note: Vanco) had recently won a tender for oil

exploration in the Black Sea, and added that he would like to see major U.S. firms work with their Ukrainian counterparts on aerospace projects.

...Corruption and Anti-Semitism...

16. (SBU) Yushchenko asked for continued U.S. assistance in strengthening the independence of Ukraine's judiciary and the professionalism of its law enforcement community. Yushchenko stressed that both the courts and the police were key to tackling corruption, one of Ukraine's major societal ills.

17. (SBU) In response to a question from Rep. Hoyer, Yushchenko asserted that his government had made important progress in combating the anti-Semitic activities of the private, foreign-funded Inter-Regional Academy of Personnel Management, known by its Ukrainian acronym MAUP. Yushchenko said that he had publicly condemned MAUP for its "intolerance" and had issued an administrative order barring civil servants from studying or working at any MAUP branch campus. The Ministry of Education had been reviewing the credentials of all MAUP affiliates, and had closed six of them in March for violating the law. Moreover, Yushchenko said, a criminal case had been opened against MAUP's notoriously anti-Semitic weekly newspaper, Personnel Plus. MAUP's leader, Hryhoriy Shchokin, had in early May asked him to halt the Ministry of Education's credential review -- a request that Yushchenko said he declined. MAUP's activities would continue to receive scrutiny from the Presidential Secretariat, Yushchenko said, adding the government would

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make progress against MAUP "month by month." Yushchenko also noted that Shchokin's openly anti-Semitic "Ukrainian Conservative Party" had been one of the "big losers" in the March parliamentary elections. (Note: The Ukrainian Conservative Party finished 31st out of 45 contending blocs and parties, getting 0.09% of the national vote.)

...Helping American Business...

18. (SBU) In response to a question from Rep. Frelinghuysen, who related that many of his Ukrainian-American constituents had found it very difficult to do business in Ukraine, Yushchenko recalled that when he took office, there were approximately 5,000 regulations that businesses had to comply with. That number had been cut to about 3,000; further cutting of red tape was up to the Rada, which Yushchenko said needed to pass business-friendly legislation. Yushchenko

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stressed that his administration had, one year ago, eliminated visa requirements for the citizens of the U.S., EU, Japan and Canada; as a result, the number of people, including businessmen, visiting Ukraine during the past 12 months had nearly tripled (as compared to the period May 2004-May 2005).

...and Adoptions

19. (SBU) In response to a question from Rep. Blunt, Yushchenko stressed that Ukraine would place no new restrictions on adoptions by Americans and emphasized that Ukraine was committed to creating a transparent adoption system. He said that the Ministry of Education had prepared a report for him calling for the establishment of a "feedback channel" to get information on the welfare of Ukrainian children adopted by American families. The ministry report had asserted that the Ukrainian government had no information on "two-thirds" of the Ukrainian children adopted by Americans since Ukrainian independence. Remarking that "two-thirds is a huge number," Yushchenko explained that his political opponents had publicly accused his government of

permitting Ukrainian children to be sold to foreigners for use as involuntary organ donors. Yushchenko stressed that his government needed information on all Ukrainian adoptees in order to effectively counter the "baseless allegations" of its political opponents. He complained that some American families had failed to provide required post-placement reports and had ignored requests for such reports made by Ukrainian consular officials in the United States. More transparency and mutual understanding were needed, Yushchenko said. (Comment: Since the beginning of May, the Ministry of Education is no longer involved in adoption issues, so it is likely that Yushchenko was referring to a somewhat dated report. The Ukrainian government has never given Embassy Kiev overall non-reporting numbers as high as 66%. It is true, however, that a September 2005 report by the Ministry of Education asserted that about two-thirds of the reports for children adopted in 2004 had not yet been submitted.)

¶10. (U) The delegation cleared this cable.

¶11. (U) Visit Embassy Kiev's classified website:
www.state.sgov.gov/p/eur/kiev.
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